

**PROJECT BRIEFING: RESOLUTION 06-01
REVISION IN THE LOAN TERMS FOR THE COLUMBIANA COUNTY PORT
AUTHORITY RAIL LINE REHABILITATION LOAN**

January 12, 2006

Project Funding

Change in loan terms

Project Benefits

Provide additional time for the operator to investigate longer term financing without impacting the operator's ability to continue to invest in rail line upgrades

Staff is requesting the Commission to approve a delay in loan payments for the Columbiana County Port Authority's \$2.1 million loan with the Commission for the rehabilitation of the former Youngstown and Southern line until January 31, 2007.

Since the Commission first approved a \$500,000 grant to assist the Columbiana County Port Authority to purchase the line from Railroad Ventures Inc. (RVI), the Ohio Rail Development Commission has been instrumental in the preservation of this rail line.

A summary of ORDC's assistance to the Youngstown and Southern Rail line includes:

- A grant in the amount of a \$500,000 to assist the Columbiana County Port Authority with the original acquisition and rehabilitation of the line in 2000;
- The current loan for \$2.1 million for rehabilitation;
- A grant in the amount of \$75,000 for additional rehabilitation work;
- A grant for \$45,000 to assist the Port Authority, Ohio and Pennsylvania and the Community of Columbiana replace a culvert; and
- Over \$2 million in grade crossing safety improvements at crossings along the line.

Despite lawsuits and Surface Transportation Board (STB) hearings regarding the original sale, the bankruptcy of the original operator, washouts and flooding due to severe weather, and derailments because of track conditions, the railroad continues to make progress.

The new operator, the Ohio and Pennsylvania Railroad (OHPA), a subsidiary of the Ohio Central Railroad System, has reported that since they have assumed the line in early in 2005, there has been approximately \$4.7 million of investment in the line. Additionally, since an embargo was lifted on March 2005, the railroad has operated at the posted 10 mph track speed, has experienced only one, non-reportable derailment which caused no delays and there have been no slow orders or FRA/PUCO citations against the line since that time.

Through this partnership between the ORDC, the Columbiana County Port Authority and the new operator, the Ohio Central Railroad System, progress is being made, albeit slowly, to bring this rail line back to life.

One of the current problems the line is facing is the existing debt that was incurred to get the line to its current state of repair. In addition to the current ORDC loan of \$2.1 million, the Port Authority received a \$1.18 million loan from National City Bank for the original acquisition. The Port Authority has stated that the current balance on that loan is \$826,000. All of these loans are of a short duration, less than eight years, which puts additional pressure on the railroad's financial ability to continue to invest to improve the track conditions of the line in the short term.

This is the third time the Commission has been asked to revise the terms of the loan since it was approved in September 2003. The first request, Resolution 04-15, approved by the Commission on November 18, 2004, delayed payments by three months. It was presented as a "stop-gap" measure necessitated by the bankruptcy of the original operator, the Central Columbiana and Pennsylvania Railroad. In March 2005, the Commission approved Resolution 05-01 which further delayed payments to the loan to March 1, 2006 to provide the new operator the benefit of the terms that were presented to the original operator, one year of operation principle and interest free.

Since that time, despite the successes listed above, more time is needed to allow the rail traffic to move in sufficient volumes to support the existing debt service and still maintain an acceptable level of investment in the track.

The Ohio Central has determined that the term of the existing loans are one of the impediments to the long term viability of the line. As a result, the Ohio Central is seeking a Railroad Rehabilitation and Improvement Financing Program Loan (RRIF Loan) from the Federal Railroad Administration for multiple system improvements to all of its railroad properties. ORDC has received commitments from the Ohio Central that it will include in its RRIF application, a request to refinance at least \$1 million of the current \$2.1 million ORDC loan. Once that pay out is made the ORDC could then revise the terms of the remaining \$1.1 million that would better match the timing of revenues received from the line. As with the original extension request associated with the bankruptcy, this extension is requested because there is a level of uncertainty with regard to the final loan terms. This is only a plan. The RRIF application process is one which will take several months before a final approval is given. Such a plan would allow the ORDC to balance its fiduciary responsibilities with state funds with its mission to preserve and promote rail infrastructure in the state.

Pending the outcome of the RRIF process, and approval of this resolution, staff will present another resolution for Commission consideration with details of a revised repayment schedule.

ORDC staff fully anticipates that regardless of the RRIF loan outcome, there will have to be a revised payments schedule for this loan.

RESOLUTION 06-01**RE: COLUMBIANA COUNTY PORT AUTHORITY YOUNGSTOWN & SOUTHERN RAIL LINE
REHABILITATION LOAN
(Amendment to Resolutions 03-18, 04-15&05-01)**

A RESOLUTION DETERMINING THE APPROPRIATENESS OF ASSISTANCE PROPOSED TO BE PROVIDED TO THE COLUMBIANA COUNTY PORT AUTHORITY UNDER CHAPTER 4981 OF THE OHIO REVISED CODE.

WHEREAS, this Commission as the Ohio Rail Development Commission ("ORDC") created by Chapter 4981 of the Ohio Revised Code, has the responsibility of reviewing and making recommendations to ORDC staff with respect to the assistance under Chapter 4981 of the Ohio Revised Code (the "Act") proposed to be provided; and

WHEREAS, the ORDC has under consideration a modification of the provision of assistance under the Act to the Columbiana County Port Authority (the "Authority"); and

WHEREAS, the ORDC staff has submitted to this ORDC a modification to a prior Request for Assistance submitted by the Authority; the determination of the Executive Director of the ORDC and the facts upon which such determination is based, that the modification to the proposed assistance will conform to the requirements of the Act and the terms of the modification to the proposed assistance; and

WHEREAS, the ORDC has reviewed such submissions and discussed them with the Executive Director and staff of the ORDC the proposed assistance; and

WHEREAS, on the basis of such review and discussions, the ORDC has determined that the provision of assistance to the Authority, as set forth in the ORDC staff's submissions, is appropriate.

NOW, THEREFORE, BE IT RESOLVED by the ORDC of the State of Ohio:

Section 1. That the ORDC determines that the modification to the assistance proposed to be provided under the Act to assist the Authority with the Rail Service Project (as defined below) is appropriate.

Section 2. That the ORDC approves the proposed modification of assistance to the Authority, the nature, amount and terms of which are summarized in Exhibit "A" attached hereto.

Section 3. That the ORDC hereby amends Resolution 03-18, 04-15 & 05-01 as set forth in Exhibit A.

Moved By _____

Seconded By _____

Upon roll call, the vote resulted as follows:

James E. Betts, Chair	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused
Howard Wood for Gordon Proctor	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused
Barbara Hammontree Bennett	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused
Eric Neff for Bruce Johnson	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused
Solomon Jackson	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused
Thomas McOwen	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused
Larry Sowers	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused
Herk Wolfe	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused
Dan Roberts	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused
Jim Hartung	_____	yes	_____	no	_____	absent	_____	abstained	_____	Recused

ORDC ACTION:

Motion approved
Motion denied

Other action
Date 1/12/06

CERTIFICATE

I, the undersigned Chairman of the ORDC, hereby certify that the foregoing is a true and correct record of the resolution of said ORDC.

James E. Betts, Chairman

1/12/06
Date

EXHIBIT A

The modifications to the Request for Assistance are as follows:

1. An increase of the no repayment term of principal or interest, and the extension of zero percent (0%) interest term to thirty seven months from twenty seven months, which will extend the first repayment to February 1, 2007.
2. The Ohio Central Railroad System shall provide the ORDC with a copy of its Railroad Rehabilitation and Improvement Financing Program Loan application at the time it is submitted to the Federal Railroad Administration.